SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Preliminary Draft Staff Report for
Proposed Amended Rule 1610 – Old-Vehicle Scrapping

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	
BACKGROUND	
PROPOSED RULE AMENDMENTS	
PROJECTED EFFECT OF PAR 1610	
LEGISLATIVE AUTHORITY	11
CALIFORNIA ENVIRONMENTAL QUALITY A	ACT (CEQA) ANALYSIS 11
SOCIOECONOMIC ANALYSIS	11
CONCLUSION	
COMPARATIVE ANALYSIS	
FINDINGS UNDER THE CALIFORNIA HEALT	
PUBLIC COMMENTS AND RESPONSES	

EXECUTIVE SUMMARY

The South Coast Air Quality Management District (AQMD) is proposing amendments to Rule 1610 - Old-Vehicle Scrapping, to be consistent with California Air Resource Board's (CARB) Title 13, California Code of Regulations, Chapter 13, Article 1, Sections 2601 – 2610 Voluntary Accelerated Light-Duty Vehicle Retirement Enterprises (VAVR) adopted on August 12, 2007. As mandated by the CARB VAVR regulation, the AQMD is required to implement and enforce these regulations or amend the existing rules to be consistent with and no less stringent than the requirements of these regulations once they become effective as law.

The proposed amendments to Rule 1610 are as follows:

- Reinstate the vehicle registration requirements from 120 days to 24 months to be consistent with the CARB VAVR regulation and enabling legislation.
- Provide the following flexibility to the 24 month registration requirement:
 - O Allow vehicles that were placed in planned non-operational status per Vehicle Code Section 4604, et seq., for less than 60 days during the continuous 24 months registration period, provided that the vehicle is registered in full operational status and all appropriate registration fees and late penalties have been paid to the Department of Motor Vehicles (DMV), for at least 90 days immediately prior to its date of sale to the Scrapper
 - O Allow vehicles with registration lapses for less than 181 days during the continuous 24 months, pursuant to Health and Safety Code §44094, provided all appropriate registration fees and late penalties have been paid to the DMV, and the vehicle is registered for at least 90 days immediately prior to its date of sale to the Scrapper.
- Add the following definitions: carbon monoxide, day, dismantle, particulate matter, smog check and useful life.
- Revise the following definitions: CARB VAVR Regulation, dismantler, nitrogen oxides, old vehicle and SCAQMD certified scrapper.
- Implement minor administrative changes and remove outdated rule language.
- Reorganize rule language and format to improve consistency and enhance readability.
- Incorporate the requirements in subdivision (h) Vehicle Smog Check Requirement into subdivision (f) Vehicle Eligibility.

BACKGROUND

Rule 1610 - Old-Vehicle Scrapping was originally adopted on January 8, 1993 for the purpose of providing an alternative method of compliance with various AQMD regulations. The rule

provides a mechanism to generate Mobile Source Emission Reduction Credits (MSERCS) for volatile organic compounds (VOC), nitrogen oxides (NOx), carbon monoxide (CO), and particulate matter (PM) through scrapping of high emitting vehicles. Presently, all MSERC issued under Rule 1610 are used for compliance with AQMD Rule 2202-On-Road Motor Vehicle Mitigation Options. Rule 1610 has always been and will continue to be a voluntary program.

In October 1995, Senate Bill 501 (SB 501) added sections 44100 et seq., Article 10, to the California Health and Safety Code. These sections require CARB to adopt regulations governing the implementation of market-based, privately-operated voluntary accelerated vehicle retirement (VAVR) enterprises in the State of California for the purpose of meeting the emission reduction goals of the 1994 State Implementation Plan (SIP) for Ozone. In addition, SB 501 requires the regulations to be applicable to other VAVR enterprises operating throughout California.

On October 22, 1999, pursuant to SB 501, CARB adopted regulations for VAVR Enterprises (VAVR regulations). These regulations are incorporated in Title 13 of California Code of Regulations, Chapter 13, Article 1, Sections 2600 through 2610. As required by SB 501, these regulations are applicable to scrapping entities operating throughout California. Local air pollution control and air quality management districts that authorize MSERC generation and use, are required to implement the CARB regulations or amend their existing rules to be consistent with, or no less stringent than, the enabling regulation.

AQMD Rule 1610 was amended upon the CARB adoption of the VAVR regulation in 1999. On February 21, 2002, CARB amended the VAVR regulation to minimize the differences between CARB VAVR regulations and Bureau of Automotive Repair (BAR) VAVR regulations as required in Health and Safety Code section 44102. The AQMD then amended Rule 1610 on December 6, 2002 to conform.

Most recently, the CARB VAVR regulation was updated on December 7, 2006, and the Office of Administrative Law (OAL) filed the approved version with the Secretary of State on August 12, 2007. The AQMD is proposing amendments to Rule 1610 in order to comply with the requirements of the most recent amendment. The proposed amendments will also include administrative changes to clarify the rule language.

PROPOSED RULE AMENDMENTS

The proposed amendments to Rule (PAR) 1610 are necessary to ensure that the AQMD rule complies with the CARB VAVR regulations once they become effective. To comply with this requirement, the following changes are proposed:

- (1) Reinstate the vehicle registration requirements from 120 days to 24 months to be consistent with the CARB VAVR regulation and enabling legislation.
 - Rule 1610 currently requires that a vehicle is registered as an operable vehicle for at least 120 days prior to the final sale to a Scrapper.
 - PAR1610 would extend the registration requirement to 24 months. AQMD Rule 1610 originally required a 24 month registration and was changed to a 120 day requirement in the most recent amendment on December 6, 2002. The change to 120 days was initiated at CARB to simplify the vehicle registration requirements. On August 12, 2007, the CARB VAVR regulation was amended to reinstate the 24 month requirement to be consistent with the following underlying legislation:

California Health and Safety Code §44094 Participation in high polluter repair or removal program; Contents of program

(a) Participation in the high polluter repair or removal program specified in this article and Article 10 (commencing with Section 44100) shall be voluntary and shall be available to the owners of high polluter that are registered in an area that is subject to an inspection and maintenance program, have been registered for at least 24 months in the district where the credits are to be applied and, are presently operational, and meet other criteria, as determined by the department.

The AQMD is required to adopt the CARB VAVR regulation within 6 months of OAL approval. As of February 12, 2008, the AQMD has been enforcing the 24 month registration requirement for all local scrappers. The Scrappers were made aware of the upcoming change in late 2007.

- (2) Allow a vehicle into a scrapping program if it has been placed in nonoperational status for a limited period during the continuous 24 month registration period prior to being sold to a Scrapper.
 - Rule 1610 does not allow vehicles to be accepted into a scrapping program if they were placed into non-operation status during the currently required 120 day registration period.
 - PAR 1610 would allow for vehicles to be accepted into a scrapping program
 if they have been placed in non-operational status for 60 or fewer days
 during the continuous 24 month registration period provided the vehicle is in
 full operational status at least 90 days immediately prior to the date of sales
 to the Scrapper and all appropriate DMV fees and late penalties have been
 paid.

- (3) Allow a vehicle into a scrapping program if the registration has lapsed for a limited period during the continuous 24 month registration period prior to being sold to a Scrapper.
 - Rule 1610 does not allow vehicles to be accepted into a scrapping program if the registration has lapsed during the currently required 120 registration period.
 - PAR 1610 would allow for vehicles to be accepted into a scrapping program
 if the registration has lapsed for 181 or fewer days during the 24 month
 registration period provided that the vehicle is registered at least 90 days
 immediately prior to its date of sale to the Scrapper and all appropriate DMV
 fees and late penalties have been paid.

(4) Remove restriction on individuals selling multiple vehicles.

- Rule 1610 currently requires vehicle owners who have scrapped a vehicle within the previous 12 months that have subsequent vehicle(s) they want to volunteer to the same scrapper, must be registered to them for the previous 24 months.
- PAR 1610 would remove this requirement and replace it with the requirement that all vehicles accepted into a scrapping program to be registered for 24 months, not necessarily to the same owner. Under PAR 1610, owners can sell multiple vehicles to scrappers provided that the vehicle is currently registered to that owner and the vehicle has been continuously registered in the AQMD for 24 months.

Other Changes

The following administrative changes are also proposed.

Subdivision (a) Purpose

- Make minor revisions and deletions to rule language to improve clarity.
- Remove the following outdated rule langue:

The effective date for Rule 1610 amendments approved by the Governing Board on December 6, 2002 shall be February 1, 2003.

Subdivision (b) Definitions

Add or revise the following definitions for clarification and consistency with the CARB VAVR regulation:

- Add definitions for Carbon Monoxide, Smog Check, and Particulate Matter because they are referenced elsewhere in the Rule.
- Refine the definition of Nitrogen Oxides (NOx) to specifically cite NOx emitted in vehicle exhaust.

- Add a definition for Day to specify that any mention of Day in the Rule includes any week day, weekend day and all holidays.
- Add a definition for Dismantle and then change any reference to crush or to destroy
 a vehicle to the more generic term dismantle. Defining dismantle clarifies that a
 scrapper can use mechanisms other than crushing, to place a vehicle in junk status
 essentially making it unable to be revived.
- Alter the definition of Old Vehicle to define the gross vehicular weight rating for vehicles considered light-duty vehicles of 8,500 pounds or less. The former definition specifies vehicles that are eligible for scrapping according to the rule.
- Alter the definition of Old Vehicle Scrapping Program to enhance readability.
- Alter the definition for SCAQMD Certified Scrapper to be consistent with the CARB definition of a VAVR enterprise operator.
- Add a definition for Useful Life since the term is used elsewhere in the rule and in the CARB VAVR regulation to describe the condition of vehicles that are potentially eligible for retirement.

Subdivision (c) SCAQMD Scrapper (Scrapper) Certification Requirements

- Break out several sentences into subparagraphs and clauses to improve readability.
- Make minor deletions and changes to punctuation to improve clarity.
- Simplify the reference to subparagraph (c)(2)(A) through (c)(2)(D) to paragraph (c)(2).
- Remove the following outdated language:

Scrappers intending to continue scrapping operations after December 6, 2002 shall submit a revised scrapping plan to the Executive Officer by January 1, 2003

Subdivision (d) Notice Requirements for Scrappers

• Simplify the reference to paragraph (e)(1) through (e)(4) to subdivision (e).

Subdivision (e) Parts Recycling and Resale

- Change references to the CARB VAVR regulation to be consistent with the newly adopted regulation:
 - Change reference in (e)(1)(c) to specify that the Quality Control Checklist in the CARB VAVR regulation is in Appendix C to Article 1 in the regulation.
 - o Delete clause (e)(1)(C)(i) and (ii) because those instruction have been incorporated in the CARB VAVR Quality Control Checklist that is cited.
- Change language referring to crushing or destroying a vehicle to dismantle.
- Minor deletions, sentence restructuring and punctuation changes to improve readability.

• Break out several sentences into subparagraphs and clauses to improve readability.

Subdivision (f) Vehicle Eligibility

- Move the requirements in subdivision (h) Vehicle Smog Check Requirement to subdivision (f) Vehicle Eligibility as the requirements are directly related to the vehicle eligibility. This will remove redundancies and consolidate the requirements.
- Reorganize the requirements to harmonize rule language with the CARB VAVR regulation.
- Remove paragraph (f)(3) stating that *The vehicle shall be a passenger car or light duty truck* since that requirement has been incorporated into subdivision (b) as the definition of an Old Vehicle.
- Remove paragraph (f)(4) since it is redundant with paragraph (g)(1).
- Move paragraph (f)(5) to subparagraph (f)(2)(E) to improve clarity.
- Remove paragraph (f)(6) since the Smog Check Subdivision being referenced has been incorporated into subdivision (f).
- Add the following language to be consistent with the CARB VAVR and the authorizing legislation.

Vehicles that are tampered, pursuant to Section 3340.41.4 of Title 16, Division 33, Article 5.5 of the California Code of Regulations, shall not be eligible for acceptance into a scrapping program.

Subdivision (g) Vehicle Inspection

- Change language in (g)(2)(I) Exhaust pipe shall be in present to Exhaust system shall be present and in place for clarity.
- Clarify language to distinguish between equipment eligibility (such as doors, dashboard, bumper, ect.) and functional eligibility (such as vehicle starting and driving under its own power). Vehicles that are rejected solely due to deficiencies in equipment can be repaired to correct all deficiencies identified and then re-inspected by the inspector for compliance at any time. Vehicles that are rejected due to functional deficiencies must be repaired and driven an additional 50 miles prior to being re-inspected.
- Break out several sentences into subparagraphs and clauses to improve readability.
- Make minor deletions and changes to punctuation for improved clarity.

Deleted Subdivision (h) Vehicle Smog Check Requirement

 Move the requirements in subdivision (h) Vehicle Smog Check Requirement to subdivision (f) Vehicle Eligibility as the requirements are directly related to the vehicle eligibility. This will remove redundancies and consolidate the requirements.

Former Subdivision (i) - (h) Mobile Source Emission Reduction Credits (MSERCs) per Scrapped Vehicle

- Add paragraphs (h)(1) to (h)(6) to improve clarity and consistency with the CARB VAVR regulation.
- Move the original paragraph (j)(2) to (h)(7) to emphasize the difference between MSERC credit lifetime and credit usage. MSERCs are issued based on an assumed three year useful life remaining in the vehicle being scrapped. The MSERCs that are generated are for emissions that would have resulted in the three years following the vehicle scrapping. However, the use or application of those credits is allowed for up to 5 years after the credits are generated.
- Change language in paragraph (j)(8) to reflect the changes in the CARB VAVR regulation. The emission factors will no longer be contained in the VAVR but the methodology that is used to generate the emissions factors are in Appendix D "Calculation of Default Emission Reduction Credit". CARB will then generate the tables based on the reference methodology and publish these tables on an annual basis.

Former subdivision (j) – (i) Use of MSERCs

 Minor deletions, sentence restructuring and punctuation changes to improve readability.

Former subdivision (k) – (j) Recordkeeping and Auditing Requirements

- Included Auditing along with Recordkeeping requirements.
- Move requirements in paragraph (j)(7) to (j)(5) to consolidate the requirements and improve clarity.
- Include paragraph (j)(9) to indicate that announced and unannounced audits may be conducted.

Remaining subdivision

• Minor deletions, sentence restructuring and punctuation changes to improve readability.

PROJECTED EFFECT OF PAR 1610

The total number of vehicles scrapped under Rule 1610 from 1993 to 2007 was 36,002. Table 1 and Charts 1 and 2 show the historical summary of the number of vehicles scrapped and the MSERCs that were generated. The number of vehicles scrapped increased substantially in 1996 and 1997. This spike was due to the amendments to Rule 2202 in 1996, which allowed the use of MSERCs as one of the options to comply with the On-Road Motor Vehicle Mitigation Rule. In addition, in 1997, a substantial amount of the Air Quality Investment Program (AQIP) fund was awarded to vehicle scrapping. After 1997, the number of the vehicles scrapped declined. A combination of factors, such as amendments to Rule 2202, turnover of the vehicle fleets, and amendments to Rule 1610, which made the eligibility requirements of vehicle scrapping more stringent, may have contributed to altering the demand for old vehicle scrapping.

Table 1
Historical Summary of Total Number of Vehicles
Scrapped and MSERCs Generated

	No. of Vehicle	MSERC			
Year	Scrapped	VOC (lbs.)	NOx (lbs.)	CO (lbs.)	PM (lbs.)
1993	1,163	397,746	104,670	2,093,400	1,163
1994	1,895	597,922,	170,535	2,878,200	1,975
1995	2,941	922,410	264,690	4,419,960	3,073
1996	4,767	913,509	389,475	5,652,060	2,238
1997	10,127	1,711,167	812,325	11,348,820	3,722
1998	1,963	283,830	154,155	2,081,160	537
1999	2,790	399,741	218,685	2,967,840	665
2000	2,626	368,697	205,485	2,754,060	606
2001	1,428	200,223	111,645	1,505,940	321
2002	881	133,432	7,5047	1,119,717	332
2003	963	223,919	105,124	1,853,876	1,229
2004	1,403	353,709	166,947	3,082,935	1,514
2005	631	183,953	81,200	1,482,661	637
2006	1,592	423,114	190,830	3,520,555	1,612
2007	832	247,759	107,050	1,970,396	827
Total	36,002	6,763,210	3,157,864	48,731,580	20,453

Chart 1
Historical Summary of Total Number of Vehicles Scrapped

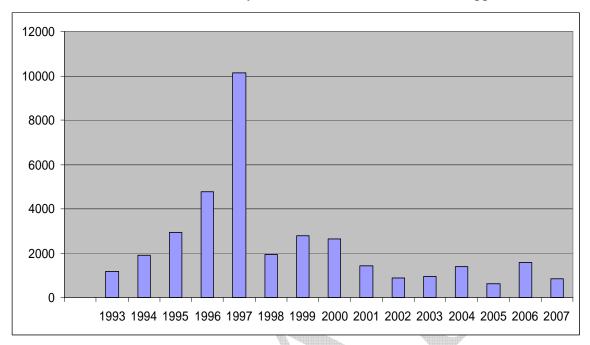


Chart 2
Historical Summary of MSERCs Generated

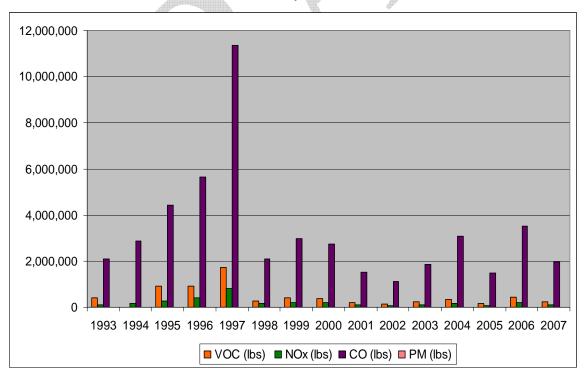


Table two is a demonstration of the projected effect that PAR 1610 will have on the number of vehicles that will quality for scrapping. Staff evaluated the last 100 vehicles that were submitted by two Scrappers for the generation of MSERCs. Staff determined how many of those vehicles would meet the proposed registration requirements. Of the 100 vehicles submitted, 3 of those did not meet the 120 day registration requirements and 16 did not meet the 24 month registration requirement.

Table 2

Number of Vehicles Submitted	No. Vehicles Not Qualifying Rule 1610 (120 day)	No. Vehicles Not Qualifying PAR 1610 (24 month)
100	3	16

Staff has received feedback from owners of vehicles that were rejected and many of those vehicles have not been in service. The intent of Rule 1610 is to reduce the emissions from older vehicles that disproportionately emit more VOCs, NOx, CO and PM. Vehicles that are not driven do not contribute exhaust emissions. Vehicles that are accepted by a Rule 1610 Scrapper, and approved by the AQMD, may subsequently result in the generation of emission reduction credits which can then be purchased to offset other sources of emissions. Therefore, it is critical that vehicles accepted into this program are currently being driven on public roads within the AQMD, in order to justify the generation of MSERCs as real quantifiable emissions.

Staff feels that the 24 month continuous registration requirement increases the certainty that vehicles being surrendered have in fact been driven on public roads in the AQMD. The 120 month provision in Rule 1610 only requires vehicle owners to pay one registration cycle, which could provide incentive to register an old vehicle, which was not in use, in order to acquire the cash incentive. On the contrary, the 24 month continuous registration requirement will require vehicle owners to pay at least 2 registration cycles along with requisite insurance, maintenance and smog check fees. Staff believes that this financial burden is beyond what a typical owner would invest in an old vehicle to receive the cash incentive.

Another potential effect of the amendment is that the vehicle owner would have to wait until their vehicle has been registered for 24 months before selling the vehicle to the scrapper or that the owner would not scrap the vehicle at all. Scrapped vehicles result in the generation of MSERCs that facilities can purchase in the open market to offset emissions in a Rule 2202 plan. Rule 1610 results in the generation and use of credits to offset emissions from commute trips or other sources approved by AQMD. The stricter registration requirements may lead to a decrease in the rate that older cars are taken off the road under this program, which could decrease the supply of available credits. Facilities that are regulated by Rule 2202 may have to seek alternative methods to comply with the rule other than purchasing credits, such as AQIP or other compliance options provided in the rule. Vehicles that are not eligible for scrapping under PAR 1610 will not generate emissions offsets, but AQMD will still achieve vehicle emission reductions by other means. Staff believes there will not be a negative air quality impact as a result of PAR 1610.

LEGISLATIVE AUTHORITY

The California Legislature created the AQMD in 1977 (The Lewis-Presley Air Quality Management Act, Health and Safety Code Section 40400 et seq.) as the agency responsible for developing and enforcing air pollution control rules and regulations in the South Coast Air Basin (Basin). By statute, the AQMD is required to adopt an Air Quality Management Plan (AQMP) demonstrating compliance with all state and federal ambient air quality standards for the Basin [California Health and Safety Code Section 40460(a)]. Furthermore, the AQMD must adopt rules and regulations that carry out the AQMP [California Health and Safety Code Section 40440(a)]. California Health and Safety Code Section 44100 (a) and (b) specifies the legislative findings that a small percentage of light duty vehicles contribute disproportionately to the on-road emissions inventory and that emissions reduction programs based on market principles, such as the accelerated light-duty vehicle retirement program, have the potential to provide equivalent or positive environmental benefits at a lower cost to the public than traditional control requirements. California Health and Safety Coats 44100 et seq. specifies the requirements of an accelerated vehicle retirement program.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) ANALYSIS

Pursuant to the California Environmental Quality Act (CEQA) and AQMD Rule 110, appropriate documentation will be prepared to analyze any potential adverse environmental impacts associated with the proposed amendments to Rule 1610. Comments received at the public workshop and CEQA scoping meeting will be considered when preparing the CEQA document.

SOCIOECONOMIC ANALYSIS

Socioeconomic analysis will be made available 30 days prior to the Public Hearing

CONCLUSION

Staff concludes that the proposed amendments are necessary to be consistent with CARB VAVR regulations adopted on August 12, 2007.

COMPARATIVE ANALYSIS

Health and Safety Code section 40727.2 requires a comparison of the proposed amended rule with existing regulations imposed on the same equipment. There are no federal air pollution regulations that affect this type of operation. However, there are state regulations (the CARB VAVR Enterprise regulations) regarding vehicle scrapping, and this amendment to Rule 1610 is to provide consistency with the state regulations.

FINDINGS UNDER THE CALIFORNIA HEALTH AND SAFETY CODE

Before adopting, amending, or repealing a rule, the California Health and Safety Code requires the AQMD to adopt written findings of necessity, authority, clarity, consistency, non-duplication, and reference, as defined in Section 40727. The draft findings are as follows:

Necessity - The AQMD Governing Board has determined that a need exists to amend Rule 1610 - Old-Vehicle Scrapping in order to comply with ARB Regulations For Voluntary Accelerated Light-Duty Vehicle Retirement (VAVR) Enterprises pursuant to Title 13 CCR Section 2602.

Authority - The AQMD Governing Board obtains its authority to adopt, amend, or repeal rules and regulations from the California Health and Safety Code Sections 40000, 40001, 40440, 40441, 40463, 40702, 40725 through 40728.

Clarity - The AQMD Governing Board has determined that the proposed amendment to Rule 1610 is written or displayed so that its meaning can be easily understood by persons directly affected by it.

Consistency - The AQMD Governing Board has determined that Proposed Amended Rule 1610 is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, federal or state regulations.

Non-Duplication - The AQMD Governing Board has determined that the proposed amendment to Rule 1610 does not impose the same requirements as any existing state or federal regulations, and the proposed amended rule is necessary and proper to execute the powers and duties granted to, and imposed upon, the AQMD.

Reference - In adopting this regulation, the AQMD Governing Board references the following statutes which the AQMD hereby implements, interprets or makes specific: California Health and Safety Code Sections 40001 (rules to achieve ambient air quality standards), 40440(a) (rules to carry out the AQMP) and 40440(c) (cost-effectiveness), 40714.5 (market-based incentive programs), 40441.1 and 39616 (market-based incentive programs), and Federal Clean Air Act Section 172(c)(1)(RACT).

PUBLIC COMMENTS AND RESPONSES